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SECURITIES



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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

**FACING PAGE**

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 1/1/2002 AND ENDING 12/31/2002  
MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Collins/ Bay Island Securities LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

840 Newport Center Drive, Suite 660

(No. and Street)

Newport Beach, CA 92660

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Budge Collins

(949) 644-5771

(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Rothstein, Kass & Company

(Name -- if individual, state last, first, middle name)

9171 Wilshire Blvd, Suite 500, Beverly Hills, CA 90210

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions

**PROCESSED**

**MAR 04 2003**

**THOMSON  
FINANCIAL**

FOR OFFICIAL USE ONLY
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

*Potential persons who are to respond to the collection of information  
contained in this form are not required to respond unless the form displays  
a currently valid OMB control number.*

## OATH OR AFFIRMATION

I, Budge Collins, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Collins/Bay Island Securities LLC, as of January 24, 19 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Budge Collins  
Signature  
President  
Title

\_\_\_\_\_  
Notary Public

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☐ (o) Independent auditor's report on internal accounting control.
- ☐ (p) Schedule of segregation requirements and funds in segregation--customers' regulated commodity futures account pursuant to Rule 171-5.

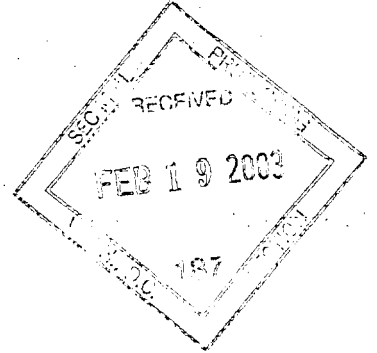
\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**COLLINS/BAY ISLAND SECURITIES LLC**

**REPORT PURSUANT TO RULE 17a-5**

**FINANCIAL STATEMENT  
AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2002**



# CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Orange

SS.

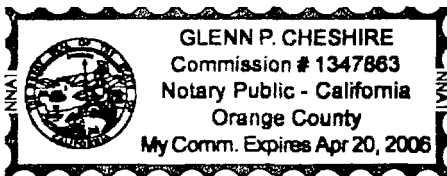
On Jan 24, 2003 before me, Glenn P. Cheshire, Notary Public

personally appeared Budge Collins

Name(s) of Signer(s)

- ☐ personally known to me  
☒ proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Glenn P. Cheshire  
 Signature of Notary Public

## OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

### Description of Attached Document

Title or Type of Document: Annual Audited Report

Document Date: Jan 24, 2003 Number of Pages: ONE

Signer(s) Other Than Named Above: \_\_\_\_\_

### Capacity(ies) Claimed by Signer

Signer's Name: \_\_\_\_\_

- ☐ Individual  
☒ Corporate Officer — Title(s): President  
☐ Partner — ☐ Limited ☐ General  
☐ Attorney-in-Fact  
☐ Trustee  
☐ Guardian or Conservator  
☐ Other: \_\_\_\_\_

Signer Is Representing: Collins May Island Securities

RIGHT THUMBPRINT  
 OF SIGNER

Top of thumb here

# **COLLINS/BAY ISLAND SECURITIES LLC**

## **CONTENTS**

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<b>Independent Auditors' Report</b>	<b>1</b>
<b>Financial Statement</b>	
Statement of Financial Condition	2
Notes to Financial Statement	3-4

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**Rothstein, Kass & Company, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Member of  
Collins/Bay Island Securities LLC

We have audited the accompanying statement of financial condition of Collins/Bay Island Securities LLC as of December 31, 2002, that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Collins/Bay Island Securities LLC as of December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

*Rothstein, Kass & Company, P.C.*

Beverly Hills, California  
January 20, 2003

# COLLINS/BAY ISLAND SECURITIES LLC

## STATEMENT OF FINANCIAL CONDITION

December 31, 2002

### ASSETS

Cash and cash equivalent	\$ 104,435
Accounts receivable	<u>77,310</u>
	<u>\$ 181,745</u>

### LIABILITIES AND MEMBER'S EQUITY

#### Liabilities

Deferred revenue	\$ 93,750
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Member's equity	<u>87,995</u>
	<u>\$ 181,745</u>

# **COLLINS/BAY ISLAND SECURITIES LLC**

## **NOTES TO FINANCIAL STATEMENT**

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### **1. Nature of operations and summary of significant accounting policies**

#### *Nature of Operations*

Collins/Bay Island Securities LLC (the Company), a California limited liability company, is a registered broker dealer under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. (NASD). The Company specializes in marketing third party investments. The Company is a wholly owned subsidiary of Collins/Bay Island Capital LLC (the Owner).

#### *Cash and Cash Equivalent*

The Company considers its investment in a short term money market fund to be a cash equivalent.

#### *Revenue Recognition*

The Company charges an annual retainer for its marketing services. The retainer is recorded as deferred revenue when received, and is recognized as revenue over the period the services are provided. Additionally, the Company may earn asset-based and incentive fees for each new account obtained for the third party. These fees are recognized as revenue when realized.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

#### *Income Taxes*

The Company is a limited liability company and is not subject to Federal income taxes. Taxable income of the Company is reported on the member's tax return. The Company is subject to an annual minimum state franchise tax and a limited liability company fee.

#### *Concentration of Credit Risk*

The Company maintains cash in demand deposit accounts with federally insured banks. At times, the balances in the accounts were in excess of federally insured limits.

### **2. Related party transactions**

The Company has an agreement with the Owner whereby the Owner pays all of the expenses of the Company. During the year ended December 31, 2002, these expenses amounted to approximately \$420,000. The Owner relies on distributions from the Company to pay such expenses. Under the terms of the agreement, the expenses paid by the Owner on behalf of the Company will not be repaid. The agreement expires on October 31, 2006.

As the Company and the Owner are under common control, the Company's financial position and operating results as of and for the year ended December 31, 2002 are significantly different from those that would have been obtained had the entities been autonomous.



# COLLINS/BAY ISLAND SECURITIES LLC

## NOTES TO FINANCIAL STATEMENT

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### 3. Net capital requirement

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). This rule requires the maintenance of minimum net capital, maintenance of the ratio of aggregate indebtedness to net capital, both as defined, not to exceed 15 to 1, and compliance with restrictions on withdrawal of equity capital or cash dividends if the resulting net capital ratio would exceed 10 to 1. At December 31, 2002, the Company's net capital was \$10,685, which was \$4,435 in excess of its minimum net capital requirement of \$6,250.